

Message Text

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ACTION EB-08

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TO SECSTATE WASHDC 1186

INFO AMCONSUL PERTH

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E.O. 11652: N/A

TAGS: EMIN, EFIN, EALR, ENRG, AS

SUBJECT: GOA APPROVAL OF NORTH WEST SHELF GAS PROJECT

REF: (A) CANBERRA 5812 (NOTAL), (B) CANBERRA 5777, (C)

76 CANBERRA A-107 (NOTAL), (D) 76 CANBERRA 5508 (NOTAL),

(E) 76 CANBERRA 5058 (NOTAL)

1. GOA ANNOUNCED AUGUST 25 IT HAS COMPLETED CONSIDERATION OF PROPOSALS BY THE NORTH WEST SHELF JOINT VENTURE COMPANIES. MINISTER FOR NATIONAL RESOURCES ANTHONY ANNOUNCED A SERIES OF DECISIONS ON TAX, FOREIGN OWNERSHIP, EXPORT, CAPITAL IMPORT AND OTHER FEDERAL GOVERNMENT-RELATED ASPECTS OF PROPOSED PROJECT WHICH CLEAR AWAY THE MAJOR LEGAL OBSTACLES TO THE PROJECT AND MAKE IT HIGHLY PROBABLE THAT THE PROJECT WILL GO FORWARD.

2. THIS TELEGRAM IS TO SUMMARIZE HIGHLIGHTS OF FEDERAL GOVERNMENT POLICY DECISIONS RESPECTING PROJECT. FOLLOWING AIRGRAM WILL CONTAIN DETAILS OF VARIOUS MEASURES ANNOUNCED:

3. IN ADDITION, AMCON PERTH WILL REPORT SEPARATELY ON UNCLASSIFIED

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IMPORTANT IMPACT WHICH PROJECT, UNDER THESE DECISIONS, WILL HAVE FOR WEST AUSTRALIAN ECONOMY.

4. THE MOST SIGNIFICANT FEATURES OF THE PACKAGE OF FEDERAL GOVERNMENT DECISIONS WERE (1) APPROVAL FOR EXPORT OF 53 PERCENT OF PRESENT KNOWN RESERVES OVER 20 YEAR PERIOD. THE CURRENT RESERVE FIGURE IS 12.6 TRILLION CUBIC FEET WHICH

MEANS THE AUTHORIZATION WOULD BE TO EXPORT 6.5 MILLION TONNES OF LNG PER YEAR. (2) THE GOVERNMENT HAS INDICATED TO THE JOINT VENTURE THAT IT HAS NO OBJECTIONS ON FOREIGN INVESTMENT POLICY GROUNDS TO THEIR PROPOSALS. THIS CONSTITUTES TACIT APPROVAL OF THE ESTIMATED 52 PERCENT FOREIGN OWNERSHIP IN THE JOINT VENTURE. (3) THE GOVERNMENT HAS DECIDED TO ASSURE FREEDOM FROM FUTURE ADVERSE CHANGES IN CONTROLS ON OVERSEAS BORROWING FOR PROJECTS WITH ESTIMATED CAPITAL EXPENDITURE OF DOLS A 500 MILLION OR MORE. THIS COMMITMENT, WHICH IS SUBJECT TO A NUMBER OF SAFEGUARDS TO AVOID ABUSE, WOULD APPLY TO SUCH DEVELOPMENTS AS A RESTORATION OF THE RECENTLY SUSPENDED VARIABLE DEPOSIT RATE ON FOREIGN BORROWINGS. (4) IN THE TAX FIELD THE GOVERNMENT HAS EXTENDED THE TERM OF THE CURRENT 20 PERCENT INVESTMENT ALLOWANCE, AND INTRODUCED NEW INCOME TAX CONCESSIONS TO ENCOURAGE OFFSHORE PETROLEUM EXPLORATION AND DEVELOPMENT.

5. THESE ASSURANCES TO THE JOINT VENTURE, THE LAST TWO OF WHICH ARE NOT LIMITED TO THE NORTH WEST SHELF PROJECT BUT HAVE GENERAL APPLICATION, SET THE STAGE FOR THE PROJECT TO MOVE INTO A TWO YEAR FEASIBILITY AND MARKETING STUDY EXPECTED TO COST ABOUT DOLS 50 MILLION PRIOR TO THE INTENSIVE DEVELOPMENT STAGE. WHILE THERE CAN BE NO CERTAINTY THAT NEW PROBLEMS MAY NOT ARISE WHICH WILL IMPEDE OR STOP THE PROJECT, THE GOVERNMENT'S AUGUST 25 COMMITMENTS REPRESENT A LONG STEP FORWARD AND ARE GENERALLY CONSIDERED TO CLEAR AWAY THE UNCLASSIFIED

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GOVERNMENT OBSTACLES WHICH HAD HITHERTO FACED THE PROJECT. THE FUTURE DEVELOPMENT OF THE PROJECT WILL HOPEFULLY NOW DEPEND PRIMARILY ON THE INTERPLAY OF TECHNICAL, ECONOMIC AND MARKETING FACTORS.

6. THE PRINCIPAL EXCEPTION TO THE STATEMENT THAT FEDERAL GOVERNMENT OBSTACLES HAVE NOW BEEN CLEARED AWAY IS THE UNCERTAINTY OVER A POSSIBLE "RESOURCES TAX" GENERATED BY THE TREASURER'S REFERENCE IN HIS 1978 BUDGET PRESENTATION TO THE FACT THAT SUCH A TAX WAS UNDER CONSIDERATION. MR. ANTHONY'S AUGUST 25 STATEMENT WAS SILENT ON THE QUESTION OF HOW A "RESOURCES TAX", IF ADOPTED IN THE FUTURE, WOULD APPLY TO THE NORTH WEST SHELF PROJECT. SINCE THIS MUST BE AN OBVIOUS SUBJECT OF CONCERN TO THE JOINT VENTURE, THERE IS WIDESPREAD ASSUMPTION THAT ANY SUCH TAX WOULD BE DESIGNED IN SUCH A WAY AS NOT TO APPLY TO SUCH A PROJECT.

7. MR. ANTHONY ALSO ANNOUNCED A FIRM DECISION TO ABANDON THE NATIONAL PIPELINE GRID PROPOSAL OF PAST YEARS. THIS MEANS IN PRACTICE THAT THE NORTH WEST SHELF GAS WHICH IS NOT EXPORTED WILL NOT BE AVAILABLE TO MEET THE REQUIREMENTS OF THE EASTERN STATES, BUT WILL INSTEAD BY RESERVED FOR THE

DEVELOPING REQUIREMENTS OF WESTERN AUSTRALIA.

8. THE TOTAL SIZE OF THE PROJECT MAKES IT ONE OF THE LARGEST
IN AUSTRALIA'S HISTORY WITH INVESTMENT NOW ESTIMATED IN THE

VICINITY OF DOLS A 3 BILLION. ON PRESENT TIMETABLES, THE
FIRST GAS DELIVERIES WOULD COMMENCE IN 1984.

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Disposition Event:
Disposition History: n/a
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